



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Palacio del Gobernador Condominium Corporation
General Luna St., Intramuros, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of Palacio del Gobernador Condominium Corporation (PDGCC), a non-stock, non-profit corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Basis for Adverse Opinion

The Corporation did not recognize revenues of P44.436 million, P46.500 million and P56.794 million earned on and the corresponding expenses of P50.998 million, P53.759 million and P45.763 million incurred for CYs 2015, 2014 and 2013, respectively for the beneficial services rendered to condominium owners contrary to the relevant provisions of the Conceptual Framework for Financial Reporting and Philippine Accounting Standards (PAS) 1 and 18. The non-recognition of the said revenues and expenses resulted in the overstatement of Due from BTr/OP/IA/COMELEC/Pag-IBIG and the understatement of Deferred Tax Asset accounts by P2.789 million and P2.948 million, respectively and the consequent understatement of Income tax payable and the total Equity by P3.713 million and P3.554 million, respectively.

Adverse Opinion

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the PDGCC as at December 31, 2015 and 2014, and of its financial performance and its cash flows for the years then ended in accordance with generally accepted accounting principles in the Philippines.

Emphasis of Matter

We draw attention to Note 7 to Financial Statements stating that the total cost of Property and Equipment does not include land, with an area of 5,847.10 sq. meters, still registered under the name of Lumang Bayan Development Corporation as owner. The Corporation's condominium building is built on the said property. However, the individual condominium certificates of title for each unit floor areas were all issued in the name of the registered owners. The TCT of the land and the common areas were not yet transferred in the name of PDGCC. Further, there was no property revaluation made as of December 31, 2015.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation Nos. 15-2010 and 19-2011 in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management of PDGCC. Because of the significance of the matter described in the Basis for Adverse Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

COMMISSION ON AUDIT


MA. LYDIA F. DE JOYA
Assistant Director

March 30, 2016